

Background

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Pittsburgh Should Be the Last G-20 Summit: Leaders Should Promote Free Economies Instead

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Abstract: *In the past 10 months, the leaders of the G-8 and G-20 nations have met three times at elaborate and expensive summits to address the world's financial woes. But far from providing remedies for ailing economies, the summits' standard prescriptions for ever-more government intervention and regulations are likely only to impede economic recovery. This paper explains why free markets and limited government are the best responses to economic recession—and argues that the best thing for economies around the world would be for the fourth “G-Process” summit in Pittsburgh to be the last.*

Although they just met at the opening of the annual United Nations General Assembly on September 23 in New York with 192 heads of state, the leaders of 20 of those nations could not resist tacking on another two-day meeting beginning on the afternoon of September 24 in Pittsburgh—another G-20 summit at the invitation of President Barack Obama.¹

The “G-Process” of annual summit meetings of the heads of state of the world's leading economies began in 1975, when the G-7 (composed of the major World War II allies—the U.S., U.K., France, and Canada—plus their former enemies Germany, Italy, and Japan) met to consider how to respond to the economic stagflation in their economies caused by the first “oil shock.” (In response to the October 1973 Arab–Israeli War, the Organization of Petroleum Exporting Countries [OPEC] had imposed production cutbacks and restrictions on oil exports to the

Talking Points

- The elaborate and expensive G-20 summit in Pittsburgh in September 2009 is the fourth such meeting since November 2008.
- Beyond the initial stabilization of the global economy after the global financial panic of September 2008, G-8 and G-20 summits have failed to spur economic recovery.
- G-20 calls for increasing government intervention and regulation likely only impede economic recovery by backsliding into failed government-intruding models of the past.
- Indeed, too *much* government intervention, not too little, led to the 2008 financial crisis (for example, morally hazardous meddling by the U.S. government in the private mortgage market through Fannie Mae and Freddie Mac).
- G-20 leaders should reassert fiscal and monetary discipline in their countries, avoid excessive government interference, re-open their economies to trade by completing the Doha trade round, and preserve and protect the free enterprise system by allowing private markets to self-correct.

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West and caused a dramatic spike in oil prices.²⁾ After the Cold War ended, the addition of Russia made it a less cozy G-8.

Meanwhile, a separate series of G-20 meetings of finance ministers from Western nations and major emerging-market countries (China, India, Brazil, South Korea, and Mexico), which was created in the late 1990s to address the Asian financial crisis, was upgraded by President George W. Bush to summit level in November 2008 as world leaders rushed to deal with the global financial panic. Unfortunately, many of the more statist-oriented G-20 countries (China, Argentina, and some in the EU) as well as multilateral organizations, such as the United Nations, are using the G-20 process to push an anti-free-market agenda in economies around the world.

The seemingly never-ending series of summits and high-level meetings have become almost irrelevant in terms of rallying public opinion.

The most immediate threat to economic freedom at this G-20 in Pittsburgh is the concerted push toward global governance that may emerge from decisions about the future role of international governance bodies, such as the Financial Stability Board (FSB), a supranational regulator-in-waiting that some fear may try to set global standards for pay structures³ and might begin to intervene aggressively in the operations of private companies as well as tighten accounting standards to the level of regulatory overkill.⁴

There are, however, areas where G-20 leaders could go a long way toward restoring growth and promoting prosperity. Most important is to reinvigorate the process of trade liberalization. G-20 lead-

ers should also strategize on ways to reduce the many forms of government intervention and over-regulation that contributed greatly to provoking the 2008 crisis.

At the Pittsburgh summit, President Obama should call upon his fellow heads of state to reassert fiscal and monetary discipline in their countries, avoid excessive government interference, re-open their economies to trade by completing the Doha trade round, and preserve and protect the free enterprise system by allowing private markets to self-correct.

Enough Already

There are, of course, moments in world affairs when governments need to stand together in the face of threats to peace or prosperity. Certainly people around the globe needed the reassurance that came from the first G-20 summit in Washington in November 2008, when leaders took steps to stem the global panic that triggered the meltdown, agreed on measures to calm and fortify world financial markets, and attempted to mitigate the worldwide economic contraction. The “G” summitry, however, has grown to ridiculous proportions.

Originally a Group of Six—France, Germany, Italy, Japan, the United Kingdom, and the United States—with Canada added in 1977, the G-7 process attempted to deal with the OPEC oil shock-induced economic crises of the 1970s as well as the need to re-design the post-World War II Bretton Woods international monetary system that had been based on the gold standard.

G-7 leaders (who were also Cold War allies) gradually added other foreign policy issues to their agenda. When the Soviet Union disintegrated, the G-7 countries invited the Russian Federation to join in the hopes that the G-8 process could encourage

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1. The Pittsburgh Summit 2009, at <http://www.pittsburghsummit.gov/> (September 18, 2009).
 2. Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (New York: Free Press, 1991), p. 570.
 3. “Merit Pay for Central Bankers?” *The Wall Street Journal*, September 8, 2009, at <http://online.wsj.com/article/SB10001424052970203440104574398743603128028.html> (September 18, 2009).
 4. Jiamin Wang, “Sarbanes–Oxley Section 404 Places Disproportionate Burden on Smaller Public Companies,” The Heritage Foundation, August 2008, at <http://www.heritage.org/CDA/upload/SOX-CDA-edited-3.pdf>, and The Honorable Tom Feeney, David C. John, and Alex J. Pollock, “Reforming Sarbanes–Oxley: How to Restore American Leadership in World Capital Markets,” Heritage Foundation Lecture No. 995, June 27, 2006, at <http://www.heritage.org/Research/Regulation/hl995.cfm>.

Russia to stay on the path to market-based democracy. Unfortunately, those hopes have been dashed in recent years as Russia nationalized major corporations, squeezed out Western competitors, allowed unprecedented corruption in the law enforcement and court systems, and clamped down on freedom of the press. With Russian membership, the G-8 is a far less likeminded, cohesive, and effective group than the G-7.

G-20: An Imperfect Vehicle

Meanwhile, the annual “Group of Twenty” (G-20) meeting of finance ministers and central bank governors was established formally in 1999,⁵ following the 1998 Asian financial crisis, to bring together systemically important industrialized and developing economies and discuss key issues in the global economy every year.⁶

Given that leading emerging markets, such as Brazil, India, China, Mexico, and South Korea, and market-based democracies, such as Spain, Australia, and New Zealand, are members of the G-20—and that all of those countries will need to trade and invest with each other in order for the world economy to recover—the G-20 was the handiest vehicle available to convene on an emergency basis at the summit level so that heads of state could respond quickly to the financial crisis that began in September 2008.⁷

At 20 members, however, the group is starting to approach the size, complexity, and divisiveness of other existing multilateral bodies, such as the economic commissions and councils of the United Nations. Moreover, some G-20 members are pursuing political philosophies that are diametrically

The mounting costs of endless summits—hundreds of millions of dollars each year—are an increasing burden on world taxpayers. There have been too many meetings and too few accomplishments.

opposed to the principles of free markets and ordered liberty that are enshrined in the U.S. Constitution.

Argentina, for example, is presently led by Cristina Fernandez de Kirchner, who succeeded her husband, Néstor, as President in 2007 and has continued his heavy-handed, statist, and interventionist approach to governing, which was vividly illustrated by their seizure from private citizens in November 2008 of \$29 billion in private 401K-type pension funds to replenish the public treasury they had depleted.⁸ The Kirchners, who are allied with Venezuelan strongman Hugo Chavez, have manipulated official government statistics to report lower than actual inflation numbers and have refused to cut “a deal with the holders of some \$20 billion of bonds who held out against a tough debt restructuring in 2005.”⁹

“G” Meetings as Far as the Eye Can See?

Counting the July 2009 Group of Eight (G-8) summit in Italy (which incorporated most members of the G-20 in one way or another¹⁰), the G-20 summit in Pittsburgh will mark the fourth G-process meeting since the financial crisis began in September 2008. At a Rome press conference after the summit in Italy, President Obama himself wondered “about the wisdom of so many G-Whatever meetings in so

5. About G-20, “What is the G-20,” at http://www.g20.org/about_what_is_g20.aspx (September 21, 2009).

6. *Ibid.*

7. “The History of the G-20,” *The Wall Street Journal*, April 2, 2009, at <http://online.wsj.com/article/SB123868695694882779.html> (September 18, 2009).

8. “Funding Argentina’s ‘New Deal,’” *Economist Intelligence Unit ViewsWire*, December 4, 2008, at http://www.economist.com/agenda/displaystory.cfm?story_id=12725187 (September 22, 2009).

9. Unsigned Editorial, “Ecuador, Argentina and the IMF, The price of pride: Life outside the system becomes a bit harder,” from *The Economist* print edition, September 10, 2009, at http://www.economist.com/world/americas/displaystory.cfm?story_id=14416716 (September 22, 2009).

10. James M. Roberts, “The G-8 and Summitry: Enough Already!” Heritage Foundation *WebMemo* No. 2538, July 10, 2009, at <http://www.heritage.org/Research/InternationalOrganizations/wm2538.cfm>.

many forums to so little effect.”¹¹ (An observation that did not diminish his enthusiasm for such meetings, or for their questionable outcomes.)

In the past, dramatic high-level meetings had some impact because they were rare. Now, publicity-hungry politicians have gone to the well too often. The seemingly never-ending series of summits and high-level meetings have become almost irrelevant in terms of rallying public opinion. The G-8 summit in Italy was largely a waste of the world’s time, as it was mostly an instant replay of the G-20 photo-op held just three months before in London. Consider the series of United Nations “Development Decades,” first proclaimed in 1961.¹² The United Nations “Millennium Declaration”¹³ 39 years later marked the fifth such proclamation, yet the job never seems to get done.

Table 1 indicates the proliferation of head-of-state-led summits and Table 2 is a partial listing of the plethora of subordinate (ministerial-led) groups that meet regularly at the U.N. and at other multi-lateral organizations and international financial institutions to prepare for the higher-level summits and often duplicate each other’s work.

Summits are Expensive

These summits have become increasingly expensive for taxpayers, who are essentially paying for free publicity for politicians. The just-concluded L’Aquila G-8 summit is estimated to have cost the Italian government a minimum of \$300 million.¹⁴ (The price tag for the 2008 G-8 Summit in Japan exceeded half a billion dollars.¹⁵)

Major Head-of-State-Level Summits in the Past 10 Years

- U.N. General Assembly
- G-8 Summit
- G-20 Summit
- Major Economies Forum
- Summit of the Americas
- European Council Summit
- U.N. Millennium Summit
- Asia–Pacific Economic Cooperation (APEC) Summit
- NATO Summit
- OPEC Summit
- EU–Latin America and the Caribbean Summit
- World Summit on Sustainable Development
- South–East European Summit
- Euro–Africa Summit
- African Union Summit
- World Summit
- Common Market for Eastern and Southern Africa (COMESA) Summit
- Southern African Development Community Summit
- NAFTA Summit
- U.S.–EU Summit
- Non-Aligned Movement Summit

Table 1 • B 2322  heritage.org

Any time a President of the United States travels, American taxpayers must fork over a bundle. In 2006, the hourly operating cost of Air Force One alone was more than \$55,000, according to a U.S. House of Representatives report.¹⁶ That does not include operation costs for the other aircraft: the “minimum domestic travel package for the president consists of one Boeing 747, which serves as Air Force One, one back-up dummy plane and one C17 cargo plane.”¹⁷ Nor does it include the salaries and

11. Transcript, “From Italy, Obama Tries to Feel the Love,” *Los Angeles Times*, July 10, 2009, at <http://latimesblogs.latimes.com/washington/2009/07/from-italy-obama-tries-to-win-back-the-love.html> (September 11, 2009).

12. United Nations Observances at <http://www.un.org/observances/decades.shtml> (September 18, 2009).

13. United Nations Millennium Declaration at <http://www.un.org/millennium/declaration/ares552e.htm> (September 18, 2009).

14. “G8 Summit May Move to L’Aquila,” *Shanghai Daily*, April 24, 2009, at http://www.shanghaidaily.com/sp/article/2009/200904/20090424/article_398730.htm (September 19, 2009), and Paola Totaro, “Ring of Steel Around G8 Summit Leaders,” *The Sydney Morning Herald*, July 8, 2009, at <http://www.smh.com.au/world/ring-of-steel-around-g8-summit-leaders-20090707-dbwe.html> (September 18, 2009).

15. Richard Lloyd Parry, “G8 Summit Costs Could Treat 4 Million HIV Patients,” *The Times*, July 5, 2008, at <http://www.timesonline.co.uk/tol/news/world/asia/article4272578.ece> (September 18, 2009).

16. U.S. House of Representatives Committee on Government Reform—Minority Staff Special Investigations Division, “The Cost of Presidential and Vice Presidential Political Travel,” March 2006, at <http://oversight.house.gov/documents/20060316113550-47530.pdf> (September 18, 2009).

travel costs of the hundreds of Secret Service, military, and civilian employees (and their equipment) that are involved in any presidential travel.

Foreign travel by U.S. Presidents is vastly more expensive than the domestic trips measured in the House of Representatives report and requires extensive security and logistics support from the already stretched-thin U.S. military. According to a 2001 study by the non-partisan National Taxpayers Union (NTU), during his eight years in office, “Bill Clinton made 54 trips during which he racked up 133 visits to foreign nations” for which the total price tag exceeded “half a billion dollars.”¹⁸ President Obama is already on track to “shatter” Clinton’s travel record, having made foreign trips to 17 countries over 22 days in his first six months in office,¹⁹ and so appears also on track to break the one billion dollar barrier for presidential travel during his term.

The mounting costs of endless summits—hundreds of millions of dollars each year—are an increasing burden on world taxpayers. Simply put, there have been too many meetings and too few accomplishments (other than efforts to increase government intrusiveness into the global economy). The constant meetings are also keeping the heads of state away on travel instead of at home, where they could be doing the political heavy lifting and real work that will be needed in order to make the changes

Examples of Duplicative Cabinet-Level Multilateral Meetings to Prepare for World Summits

- G-7 Finance Ministers' and Central Bank Governors' Meeting
 - G-8 Finance Ministers' Meeting
 - G-20 Finance Ministers' and Central Bank Governors' Meeting
 - U.N. General Assembly Second Committee (Economic and Financial)
 - OECD Council Meeting at ministerial level
 - Annual Conference of the Bank for International Settlements
 - Annual Meetings of the IMF and World Bank
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- G-8 Agriculture Ministers' Meeting
 - Periodic Special Ministerial Conferences of the Food and Agriculture Organization of the United Nations
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- G-8 Energy Ministers' Meeting
 - Meeting of the International Energy Agency Governing Board at ministerial level
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- G-8 Environment Ministers' Meeting
 - Meeting of OECD Environment Ministers
 - G-8 Development Ministers' Meeting
 - Meeting of the OECD Development Assistance Committee (DAC) and the Environment Policy Committee (EPOC) at ministerial level
 - U.N. Annual Ministerial Review of the Economic and Social Council (ECOSOC)
 - Annual heads-of-state-level Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC)
 - U.N. ministerial meetings in advance of COP
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- Trade Ministers of G-8+G-5+Egypt and Major Economies Forum on Energy and Climate (MEF)*
 - United Nations Commission on International Trade Law
 - Bi-Annual Ministerial Conference of the World Trade Organization (WTO)
 - Periodic Meetings at ministerial level of the WTO Doha Trade Round Negotiations Committee
 - Asia-Pacific Economic Cooperation (APEC) Meeting of Ministers Responsible for Trade
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- G-8 Labor Ministers' Meeting
 - OECD Labor and Employment Ministerial Meeting
 - Meeting of OECD Social Affairs Ministers
 - Annual International Labor Conference at ministerial level

*MEF was launched by President Obama in March 2009. See <http://www.state.gov/g/oes/climate/mem> (September 16, 2009).

Table 2 • B 2322  heritage.org

17. Judson Berger, “Presidential Fundraising Trips Leave Taxpayers with Hefty Tab,” FoxNews.com, May 27, 2009, at <http://www.foxnews.com/politics/2009/05/27/presidential-fundraising-trips-cost-taxpayers-thousands/> (September 18, 2009).
18. Press release, “Detailed Review of Presidents’ Travel Crowns Bill Clinton ‘Harlem’s Honorary Globetrotter,’” National Taxpayers Union, March 15, 2001, at http://www.ntu.org/main/press_release_printable.php?PressID=421&org_name=NTU (September 18, 2009).
19. David A Patten, “Globe-Trotter Obama Smashes Presidential Records,” Newsmax.com, July 12, 2009, at <http://blogs.wsj.com/economics/2009/05/28/g20-why-pittsburgh/> (September 18, 2009).

necessary to restore growth. At the very least, as the global financial crisis continues to ease and the world economy stabilizes, there should be no more than one “G” meeting per year.

Why Pittsburgh? Why Now?

Over the years, G-8 summits often have been used as an economic-development tool, a way to bring businesses to cities outside the host nation’s capital. Italy, for instance, shifted the location of this summer’s G-8 summit from the island of La Maddalena off the coast of Sardinia to L’Aquila in the Abruzzo region, a town devastated by an earthquake this past April.²⁰

The decision to hold this G-20 meeting in the economically depressed city of Pittsburgh in the political battleground state of Pennsylvania has ramifications for future domestic U.S. political contests. The White House may hope that the injection of federal and international spending into the stagnant economy around Pittsburgh will be acknowledged by voters at the next election as a sort of mini-stimulus. Another indicator of the domestic political calculus at work was the announcement on September 11 by the Obama Administration of a decision to impose tariffs starting at 35 percent on tire imports from China²¹ in response to a petition filed by the United Steelworkers of America,²² headquartered in Pittsburgh.

Too Much Intervention

The proliferation and cost of meetings are clearly issues, but it is the more sinister and pernicious backstory to the “G” summits that is of growing

concern to defenders of market principles. These summits are being used by proponents of statism and increased global governance to be the action-forcing events that drive a wide-ranging number of programs and activities of multilateral organizations. Many of the organizers of these gatherings seek to use them to institutionalize an international framework of global governance.

Many of the organizers of the “G” meetings seek to use them to institutionalize an international framework of global governance.

At the L’Aquila summit (which included all of the G-20 countries), many leaders pushed for expensive and statist-oriented government programs to achieve cuts in global CO₂ emissions of 80 percent by 2050 for developed countries (China and India refused to go along on language that would have mandated CO₂-emissions reductions of 50 percent for developing countries during the same time period.²³), holding increases in world temperatures “to no more than 2°C,”²⁴ and “a \$20 billion pledge over three years to overhaul food and agricultural assistance”²⁵ that is almost guaranteed to be wasteful and inefficient.

Heritage Foundation analyst Ted Bromund reported that at the second G-20 summit in London in April 2009, heads of state refused to stand up for economic freedom and instead substituted a vision

20. *Ibid.*

21. Press release, “Statement from the Press Secretary on the Remedy to Address Market Disruption from Imports of Certain Passenger Vehicle and Light Truck Tires,” The White House, September 11, 2009, at http://www.whitehouse.gov/the_press_office/Statement-from-the-Press-Secretary-on-the-Remedy-to-Address-Market-Disruption-from-Imports-of-Certain-Passenger-Vehicle-and-Light-Truck-Tires (September 18, 2009).

22. “China ‘Strongly Opposes’ Obama’s Tire Import Tariffs,” Bloomberg News, September 12, 2009. at <http://www.bloomberg.com/apps/news?pid=20601087&sid=aIMC3B3J0bQE> (September 18, 2009).

23. James Kirkup, “G8 Summit: China and India Reject G8 Calls for Climate Targets,” *The Telegraph*, July 8, 2009, at <http://www.telegraph.co.uk/news/worldnews/g8/5780617/G8-summit-China-and-India-reject-G8-calls-for-climate-targets.html> (September 21, 2009).

24. Guy Dinmore, “G8 to Commit \$20bn for Food Security,” *Financial Times*, July 10, 2009, at <http://www.ft.com/cms/s/0/b71a9052-6d2b-11de-9032-00144feabdc0.html> (September 19, 2009).

25. Jonathan Weisman, “G-8 Delays Making Big Decisions,” *The Wall Street Journal*, July 11, 2009, at <http://online.wsj.com/article/SB124722089820922581.html> (September 21, 2009).

of centralization and supranational control and ever-increasing government regulation and global bureaucracy.²⁶

The bureaucrats who operate the G-8/G-20 machinery have launched an unprecedented attack on entrepreneurs, market economies, and the concept of national sovereignty itself. The Obama Administration has joined this attack.

Statist economists, such as Jeffrey Sachs, have applauded when G-20 meetings raised resources for the International Monetary Fund, the World Bank, and other development banks “to provide a liquidity cushion for global trade and production.”²⁷ Sachs also approved of the steps taken by the G-20 toward “tighter global financial regulations...controls on executive compensation, crackdowns on tax havens, controls over hedge funds, much-needed regulation of the ‘shadow banking’ system (broadly meaning investment funds that depend on very short-term borrowing in forms that compete with bank deposits)...[and] commitments to new forms of global cooperation in financial regulation, including procedures for removing toxic assets from bank balance sheets.”²⁸

Instead of relying on the marketplace to discipline unwise corporate executives or feckless investors and promoting a private sector-led recovery, the bureaucrats who operate the G-8/G-20 machinery between summits have, willingly or unwittingly, launched an unprecedented and insidious attack on entrepreneurs, market-based economies, and the concept of national sovereignty itself.

The Obama Administration has joined this attack. President Obama told a Wall Street audience on September 14 that he sees the G-20 as “an effective forum for coordinating policies among key developed and emerging economies and one that I see taking on an important role in the future.”²⁹ While G-20 coordination efforts are laudable to the extent that they focus on trade liberalization, the President appears to want to go far beyond coordination to focus on imagined problems instead of real threats, such as the protectionism that his own Administration has foisted on the world. Among those policies favored by the President are reforms in the global financial system to stop “abuses” by closing “gaps in regulation around the world,” the imposition of stronger capital standards worldwide, and “aggressive” reforms of regulatory systems both in the U.S. and around the world.³⁰

The Devilish Details

The most immediate potential threat to economic freedom at the G-20 encounter in Pittsburgh may emerge from decisions about the future role of international governance bodies, such as the newly renamed and empowered Financial Stability Board (FSB), a global regulator-in-waiting that the G-20 has “established to address vulnerabilities and to develop and implement strong regulatory, supervisory and other policies in the interest of financial stability.”³¹

As economists Masahiro Kawai and Michael Pomerleano noted in a *Financial Times* blog, the FSB in its former incarnation (the Financial Stability Forum, established in 1999 by the G-7³²) “failed to identify and prevent the U.S. financial crisis and the

26. Ted R. Bromund, “The G-20 Summit: Mistakes and Missed Opportunities,” Heritage Foundation *WebMemo* No. 2392, April 10, 2009, at <http://www.heritage.org/Research/Europe/wm2392.cfm>.

27. Jeffrey Sachs, “G-20 Accomplishments Beyond Expectation,” *The Huffington Post*, April 2, 2009, at http://www.huffingtonpost.com/jeffrey-sachs/g20-accomplishments-beyon_b_182417.html (September 18, 2009).

28. *Ibid.*

29. Elizabeth Williamson and Damian Paletta, “Obama Urges Bankers to Back Financial Overhaul,” *The Wall Street Journal*, September 15, 2009, at <http://online.wsj.com/article/SB125292937349508441.html> (September 22, 2009).

30. *Ibid.*

31. Financial Stability Board, “Overview,” at <http://www.financialstabilityboard.org/about/overview.htm> (September 21, 2009).

32. “Financial Stability Board’s Resolve Tested,” *Forbes.com*, August 21, 2009, at <http://www.forbes.com/2009/08/20/financial-stability-board-business-oxford-crisis.html> (September 18, 2009).

Eastern European crisis in a small homogenous membership of seven or so major central banks.”³³

Notwithstanding that failure, the action plan that G-20 leaders approved at the November 2008 Washington summit assigned significant and growing medium-term responsibilities to the FSB, the IMF, and other international bodies that set global standards. They ordered the FSB to be expanded and, along with the IMF and other regulators and bodies, to “develop recommendations to mitigate pro-cyclicality, including the review of how valuation and leverage, bank capital, executive compensation, and provisioning practices may exacerbate cyclical trends.”³⁴

The communiqué issued after the April 2009 London G-20 summit confirmed and strengthened this approach, ordering the FSB and IMF “to reshape our regulatory systems so that our authorities are able to identify and take account of macro-prudential risks; to extend regulation and oversight to all systemically important financial institutions, instruments and markets including systemically important hedge funds; implementing...tough new principles on pay and compensation and ...supporting sustainable compensation schemes and the corporate social responsibility of all firms.”³⁵

The reference to “corporate social responsibility” (CSR) is especially troubling and opens a veritable Pandora’s box of potential mischief-making. CSR is a trendy notion and is creating an entire cottage industry of CSR experts, but the reality is that corporations were not created to attend to all social needs—they exist to make quality products or services for consumers and profits for shareholders, satisfying society’s needs and market demands while privately funding growth and innovation.

In Pittsburgh, G-20 regulators will finally get down to the nitty-gritty details, and that is where real trouble could start brewing: Some observers fear that the FSB, a heretofore small agency based in Basel, Switzerland, which works closely with the IMF, could try to set global standards on pay structure³⁶ and might begin to intervene aggressively in the operations of private companies and corporations. As *The Wall Street Journal* warned recently, “it’s hard to imagine any measures more likely to damage economic performance and ‘value creation’ than putting the government in charge of what private employees get paid.”³⁷

G-20 leaders should spend some time in Pittsburgh strategizing on how to reduce the many forms of government intervention and over-regulation that contributed greatly to provoking the 2008 crisis.

In an attempt to plug perceived gaps in small tax-haven countries (“non-cooperative jurisdictions” in G-20 jargon³⁸) to prevent the leakage of tax revenues, G-20 leaders (although they have no real authority to do so) are already pressuring those countries to stop giving private citizens and companies from G-20 countries the opportunity to shelter income and assets from excessive taxation at home. To really be effective, the G-20 would have to go beyond the mere threat of sanctions or moral suasion by the Organisation for Economic Co-operation and Development (OECD) and be given (or assume) worldwide enforcement powers, including arrest, prosecution, trial, and imprisonment, as well as the ability to sanction sovereign countries and

33. Masahiro Kawai and Michael Pomerleano, “International Financial Stability Architecture for the 21st Century,” August 1, 2009, at <http://blogs.ft.com/economistsforum/2009/08/international-financial-stability-architecture-for-the-21st-century/> (September 18, 2009).

34. The Pittsburgh Summit 2009, “Washington Action Plan,” November 15, 2008, at <http://www.pittsburghsummit.gov/resources/125137.htm> (September 18, 2009).

35. The London Summit 2009, “Global Plan for Recovery and Reform: The Communiqué from the London Summit,” April 2, 2009, at <http://www.londonsummit.gov.uk/en/summit-aims/summit-communique/> (September 18, 2009).

36. “Merit Pay for Central Bankers?”

37. *Ibid.*

38. The London Summit 2009, “Global Plan for Recovery and Reform: The Communiqué.”

collect fines. Obviously, all of these powers have historically been reserved for sovereign states.

Other areas in the international financial system where the G-20 is poised to do some potential trouble-making are: the standardization and expansion of accounting standards that would amount to overkill (à la Sarbanes-Oxley³⁹); “regulatory oversight and registration to Credit Rating Agencies to ensure they meet the international code of good practice, particularly to prevent unacceptable conflicts of interest; and strengthening international frameworks for prudential regulation.”⁴⁰

Do No Harm: More Regulation Will Not Solve the Problem

With items like the FSB and a revitalized IMF dominating the agenda of the Pittsburgh summit, it is likely that the G-20, if it does anything, will do harm rather than good. The regulation model being pursued by the G-20 is not the answer. *The Wall Street Journal’s* Stephen Moore summed up neatly in the *2009 Index of Economic Freedom* the uncomplicated rules for creating the lasting prosperity the G-20 claims to seek: a persistent commitment to low tax rates, a stable currency, limited government, strong private property rights, openness to global trade and financial flows, and sensible regulation. Together, these factors empower the individual and induce dynamic entrepreneurial activity.⁴¹

G-20 leaders could better spend some time together in Pittsburgh strategizing on how to reduce the many forms of government intervention and over-regulation that contributed greatly to provoking the 2008 crisis—for example, the role of Fannie

Mae and Freddie Mac and various federal statutes, beginning with the Community Reinvestment Act of 1977⁴² that required private banks to make mortgage loans to unqualified applicants; or Federal Reserve actions in 2001 and 2002 that led to over-leveraging and the asset bubble.

Seize the Opportunity to Truly Advance Free Trade

All the talk of government regulation and intervention aside, there is one area where G-20 leaders could go a long way toward restoring growth and promoting prosperity: reinvigorate the process of trade liberalization. In the April 2009 London summit communiqué, participants acknowledged the crucial role of world trade as foundational to rising prosperity for half a century and lamented contracting global trade volumes, growing protectionist pressures, and a scarcity of trade finance. They pledged not to “repeat the historic mistakes of protectionism of previous eras.”⁴³

Then they did just the opposite. In subsequent months after they returned home some of them approved many of those very same protectionist acts. The most dramatic and harmful have been those undertaken by the Obama Administration itself.

During the 2008 campaign, then-Senator Obama pledged to renegotiate NAFTA. He later walked back from that threat, but free-traders have been alarmed since President Obama and Congress delivered on a campaign promise to the Teamsters and other U.S. organized labor groups and killed a NAFTA-consistent U.S. Department of Transportation “Cross Border Demonstration Project”⁴⁴ that

39. Wang, “Sarbanes–Oxley Section 404 Places Disproportionate Burden on Smaller Public Companies,” and Feeney, John, and Pollock, “Reforming Sarbanes–Oxley: How to Restore American Leadership in World Capital Markets.”

40. The London Summit 2009, “Global Plan for Recovery and Reform: The Communiqué.”

41. Stephen Moore, “The World Discovers the Laffer Curve,” in Terry Miller and Kim R. Holmes, eds., *2009 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2009), p. 37, at <http://www.heritage.org/index>.

42. Federal Deposit Insurance Corporation, “FDIC Law, Regulations, Related Acts,” at <http://www.fdic.gov/regulations/laws/rules/6500-2515.html> (September 18, 2009).

43. The London Summit 2009, “Global Plan for Recovery and Reform: The Communiqué.”

44. Lyndon Finney, “DeFazio Believes Mexico Truck Program Will Be Halted by Executive Order,” *TheTrucker.com*, December 30, 2008, at <http://www.thetrucker.com/News/Stories/2008/12/30/DeFaziobelievesMexicotruckprogramwillbehaltedbyexecutiveorder.aspx> (September 18, 2009).

permitted access to U.S. highways for a handful of safety-monitored trucks from Mexico. The result was a head-on collision with one of America's closest trading partners.

In March, the Mexican government retaliated with World Trade Organization-legal tariffs⁴⁵ on 89 U.S. agricultural and industrial products exported to Mexico that bring in more than \$2.4 billion in annual sales for U.S. companies and provide jobs for their employees.⁴⁶ Although President Obama's Transportation Secretary, Ray LaHood, is said to be working on a plan to get Mexican trucks "back on U.S. highways,"⁴⁷ such a plan has yet to see the light of day.

The slap at Mexico closely followed an insult to Canada (our largest trading partner) delivered through congressional approval of the protectionist "Buy American" provisions in the \$787 billion economic "stimulus" bill. Canadians are "outraged"⁴⁸ and do not believe U.S. government claims that the provisions will be WTO-compliant.⁴⁹ *The Washington Post* reports several instances where "Buy American" has already damaged U.S. relations with its northern neighbor, including:

- the town of Peru, Indiana, rejected sewage pumps made near Toronto; and
- at a military construction site in California, the U.S. Navy dug out already-installed Canadian-made pipe fittings and replaced them with American versions.⁵⁰

G-20 leaders should acknowledge that it was too much government intervention in the past, not too little, that led to the 2008 financial crisis.

Finally, shortly before the G-20 conclave in Pittsburgh, the Obama Administration decreed a protectionist measure that might be the most serious of all: the announcement to impose tariffs starting at 35 percent on tire imports from China.⁵¹ Although President Obama insists that the imposition of this penalty is actually *pro* free trade, since it is an enforcement action permitted by a law "that allows the United States to impose tariffs and other protections if a surge in Chinese imports damages a U.S. industry"⁵² (a provision passed in 2000 by Congress in conjunction with China's entry into the WTO), the reality is that when countries boast of trade remedies as a positive, it is a sign that just the opposite is true.

One potentially bright spot is the pledge by the G-20 trade ministers at the September 3–4, 2009, WTO Ministerial Meeting in New Delhi "to resume negotiations on the eight-year-old Doha Round of trade talks, a day after the Obama Administration signaled its commitment to the process by naming a new ambassador to the World Trade Organization."⁵³

45. E. Eduardo Castillo, "Mexico Slaps Tariffs on 89 US Products as US Ends Cross-Border Trucking Program," *Associated Press* in *The Seattle Times*, March 19, 2009, at http://seattletimes.nwsourc.com/html/business/technology/2008882211_apmexicoustrucking.html?syndication=rss (September 21, 2009).

46. Ken Ellingwood, "Mexico Levies Higher Tariffs on U.S. Imports," *Los Angeles Times*, March 19, 2009, at <http://www.latimes.com/news/nationworld/world/la-fg-mexico-tariffs19-2009mar19,0,6786035.story> (September 18, 2009).

47. Steve Miller, "Idling Ends for Rules on Mexican Trucks; U.S. Businesses Await End to Ban, Retaliatory Tariffs," *The Washington Times*, July 27, 2009, p. 1.

48. Anthony Faiola and Lori Montgomery, "Trade Wars Brewing in Economic Malaise," *The Washington Post*, May 15, 2009, at http://www.washingtonpost.com/wp-dyn/content/article/2009/05/14/AR2009051404241_pf.html (September 21, 2009).

49. Kevin Carmichael and Heather Scofield, "Obama Sends Diplomat to Davos to Quell Trade Outrage," *The Globe and Mail*, February 2, 2009, at <http://www.cigionline.org/articles/2009/02/obama-sends-diplomat-davos-quell-trade-outrage> (September 21, 2009).

50. Faiola and Montgomery, "Trade Wars Brewing in Economic Malaise."

51. "Statement from the Press Secretary on the Remedy to Address Market Disruption from Imports of Certain Passenger Vehicle and Light Truck Tires."

52. Peter Whoriskey, "As Cheaper Chinese Tires Roll In, Obama Faces an Early Trade Test," *The Washington Post*, September 8, 2009, at <http://www.washingtonpost.com/wp-dyn/content/article/2009/09/07/AR2009090702260.html> (September 21, 2009).

At the Pittsburgh summit, G-20 leaders should make the successful completion of Doha their top priority, as well as pledge to make the “Protectionism Standstill” agreement they reached in London⁵⁴ a reality in both word and deed.

Conclusion

No one doubts that the occasional meeting of leaders of the world can help smooth international relations and help promote peaceful societal and economic developments. It is true also that the world still looks to the United States for leadership⁵⁵ in times of gloom and panic, a reality that was underscored by the ready acceptance by world leaders of President George W. Bush’s invitation to the temporarily elevated *ad hoc* G-20 summit in November 2008.

But the summitry has now reached ridiculous proportions, and needs to be brought under control. While each meeting by itself may seem almost harmless (indeed, the loudest criticism of the Pittsburgh conference is likely to be its lack of impact), the steady stream of such meetings, with carefully worded communiqués prepared by armies of national and international bureaucrats charged with producing “deliverables” to enhance the political reputation of the leaders and, especially, the host, promotes the creeping advance of international mandates and regulations that are beginning to erode the very concept of national sovereignty. The United States and other market-based democracies are, without even noticing it, slouching toward a world of global government that threatens individual freedom and future prosperity.

G-20 Should Only Tackle Problems that Governments Can Solve. Fancy speechifying and approval of largely meaningless agreements by world leaders at G-20 or G-8 meetings is intended to create the impression of success in coordinating a global economic recovery. But voters around the world recognize empty gestures and political pos-

turing when they hear it. And, while some voters may not be aware of the dangerous statist and global governance structures that are gradually being erected behind the façade of happy talk, most know that only the private sector, not governments, can create sustained economic growth.

G-20 leaders seem to be badly in need of a true revival of their faith in the economic and political power of the free market. Rather than condemning the capitalist system that has blessed the world with unprecedented prosperity and backsliding into the failed socialist models of the past, G-20 leaders should acknowledge that in addition to normal business cycles, it was too *much* government intervention in the past, not too little, that led to the 2008 financial crisis (for example, the morally hazardous meddling by the U.S. government in the private mortgage market through Fannie Mae and Freddie Mac). Heads of state should foreswear such governmental activism in the future.

At the Pittsburgh meeting, President Obama should call on his fellow G-20 leaders to get back to work at home to reassert fiscal and monetary discipline in their countries, avoid excessive government interference, re-open their economies to trade by completing the Doha trade round, and preserve and protect the free enterprise system by allowing private markets to self-correct. It is a simple and straightforward agenda, rooted in traditional American values, and has a proven track record. If adopted by the G-20, economic recovery and growth would surely follow—and that, more than any words or declarations, would make Pittsburgh a summit to remember.

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53. John W. Miller, “Trade Ministers Agree to Revive Talks,” *The Wall Street Journal*, September 5, 2009, at <http://online.wsj.com/article/SB125207354909286553.html>.

54. The London Summit 2009, “Global Plan for Recovery and Reform: The Communiqué.”

55. Kim R. Holmes, Henry R. Nau, and Dov Zakheim, “Liberty’s Best Hope: Why American Leadership Is Needed for the 21st Century,” Heritage Foundation Lecture No. 1069, March 14, 2008, at <http://www.heritage.org/Research/WorldwideFreedom/hl1069.cfm>.